

SENATE BILL REPORT

HB 2129

As of March 19, 2009

Title: An act relating to the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Brief Description: Regarding the greenhouse gas emissions performance standard under chapter 80.80 RCW.

Sponsors: Representative Eddy.

Brief History: Passed House: 3/04/09, 95-0.

Committee Activity: Environment, Water & Energy: 3/18/09.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Greenhouse Gas (GHG) Emissions Performance Standard for Electric Generation Plants. In 2007 the Legislature established a GHG emissions performance standard (EPS) for electric generation. Under the law, electric utilities may not enter into long-term financial commitments for baseload electric generation on or after July 1, 2008, unless the generating plant's emissions are the lower of:

- 1,100 pounds of GHG per megawatt-hour; or
- the average available GHG emissions output as updated by the Department of Community Trade and Economic Development.

"Baseload electric generation" means electric generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent. "Long-term financial commitment" means (1) either a new ownership interest in baseload electric generation or an upgrade to a baseload electric generation facility; or (2) a new or renewed contract for baseload electric generation with a term of five or more years for the provision of retail power or wholesale power to end-use customers in this state.

Review of Long-Term Financial Commitments by Investor-Owned Utilities (IOUs). In order to enforce the emissions performance standard, the Washington Utilities and Transportation Commission (WUTC) must determine if the baseload power supplied under a long-term financial commitment complies with the EPS. The WUTC is also authorized to decide at this time if, among other things, the company needs the resource and whether the resource is

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appropriate, taking into consideration such factors as a company's forecasted load. A review of a long-term financial commitment must be conducted under the Administrative Procedures Act.

Cost Deferrals for IOUs. The EPS permits an IOU to defer up to 24 months the costs associated with a long-term financial commitment for baseload electric generation. Recovery of deferred costs is subject to approval by the WUTC.

Eligible Renewable Resources under Initiative 937. Approved by voters in 2006, the Energy Independence Act, also known as Initiative 937, requires electric utilities with 25,000 or more customers to meet targets for energy conservation and for using eligible renewable resources.

Under the Initiative, "eligible renewable resource" includes wind; solar; geothermal energy; landfill and sewage gas; wave and tidal power; and certain biomass and biodiesel fuels. Electricity produced from an eligible renewable resource must be generated in a facility that started operating after March 31, 1999. The facility must either be located in the Pacific Northwest or the electricity from the facility must be delivered into the state on a real-time basis. Incremental electricity produced from efficiency improvements at hydropower facilities owned by qualifying utilities is also an eligible renewable resource, if the improvements were completed after March 31, 1999.

Summary of Bill: Simplifying the Review of Long-Term Financial Commitments by IOUs. The provision concerning the review of long-term financial commitments for baseload generation is simplified. When an IOU submits a long-term financial commitment to the WUTC for review, the WUTC is only required to determine if the proposed baseload resource complies with the EPS. All other issues, such as the need for and appropriateness of the resource, will be determined in a subsequent rate case.

Changing Definitions for the Cost-Deferral Process. For the purposes of the cost-deferral process, the definition of "long-term financial commitment" includes an IOU's ownership or power purchase agreement of at least five years associated with an eligible renewable resource under Initiative 937.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill is identical to SB 5989, which unanimously passed the Senate. The bill does not change the EPS nor does it guarantee cost recovery; it only clarifies IOU accounting mechanisms for renewable energy. The Industrial Customers of NW Utilities support the bill.

Persons Testifying: PRO: Representative Eddy, prime sponsor; Kathleen Collins, PacifiCorp; Ken Johnson, Puget Sound Energy.